

Message Text

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TAGS: IBRD, IMF, IN

SUBJ: CREATION OF DEVELOPMENT COMMITTEE AT IMF/IBRD ANNUAL MEETING

DEPT PASS TREASURY

REF: STATE 225316

1. IN ACCORDANCE WITH REQUEST CONTAINED PARA 8, REFTEL, FINANCIAL ATTACHE AND ECONOMIC OFFICER SAW M.R. SHROFF, FINANCE MINISTRY OFFICIAL IN CHARGE OF BANK/FUND AFFAIRS TO DISCUSS THE NEW DEVELOPMENT COMMITTEE.

2. SHROFF IS PLEASED THAT THE FIRST ORDER OF BUSINESS OF THE NEW COMMITTEE WILL BE THE PLIGHT OF THE MSAS AND BELIEVES THAT THE COMMITTEE SHOULD CONCENTRATE ON THE MEDIUM OZRM PROBLEM FACING THESE COUNTRIES. THE PROBLEM, IN SHROFF'S VIEW, IS THAT HIGHER OIL PRICES HAVE RESULTED IN A TRANSFER OF \$60-\$65 BILLION IN SAVINGS FROM DEVELOPED AND NON-OIL PRODUCING DEVELOPING COUNTRIES TO THE OIL PRODUCERS. THE EFFECT ON DEVELOPED AND NON-OIL PRODUCING DEVELOPING COUNTRIES OF THIS TRANSFER DIFFERS,

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HOWEVER. THE DEVELOPED COUNTRIES DO NOT SUFFER A DISSAVING IN

THE PROCESS SINCE THE OIL COUNTRIES RECYCLE MOST OF THE FUNDS BACK TO THE DEVELOPED WORLD. THE MSAS ON THE OTHER HAND DO SUFFER A DISSAVING WHICH IS SERIOUSLY AFFECTING THEIR ABILITY TO INVEST FOR ECONOMIC DEVELOPMENT SINCE THE FUNDS ARE NOT RECYCLED TO THOSE COUNTRIES.(AS SUCH, THE MAIN PROBLEM CONFRONTING THE DEVELOPMENT COMMITTEE IS TO FIND WAYS TO CHANNEL THESE SAVINGS TO THE MSAS. SHROFF DID NOT SUGGEST MECHANISMS FOR IMPLEMENTING THIS NORHCHAT PROPORTION OF THE \$60-\$65 BILLIO CAME FROM THE MSAS AND THEREFORE SHOULD BE RETURNED. HE AGREED THAT SOME OF THESE FUNDS MAY BE COMING BACK ALREADY IN THE FORM OF HIGHER EXPORT EARNINGS BUT THOUGHT THIS WAS OF RELATIVELY MINOR IMPORTANCE.

3. SHROFF BELIEVES THAT THE SDR-AID PCNK QUESTION AND THE QUESTION REGARDING LENDING TERMS UNDER THE IMF'S OIL AND EXTENDED FACILITIES WOULD BE MORE PROPERLY TREATED IN THE INTERIM COMMITTEE, ALTHOUGH HE RECOGNIZES THEY WILL ALSO BE DISCUSSED IN THE DEVELOPMENT COMMITTEE.

4. SHROFF BELIEVES THAT THE SUCCESS OF THE DEVELOPMENT COMMITTEE WILL DEPEND; IN LARGE PART ON THE QUALITY OF THE SECRETARIAT. HE BELIEVES COSTANZO SHOULD HAVE THE ASSISTANCE OF AT LEAST THREE OR FOUR EXPERTS FROM THE DEVELOPING COUNTRIES SO THAT THE

PROPER "ORIENTATION" OF THE WORK OF THE DEVELOPMENT COMMITTEE CAN BE ACHIEVED. NOT ONLY MUST THERE BE APPROPRIATE TECHNICAL EXPERTISE, BUT THAT EXPERTS MUST ALSO REFLECT LDC ATTITUDES. HE ALSO THINKS THERE IS ROOM FOR MORE THAN ONE DEPUTY TO COSTANZO.

5. SHROFF SAID HE HAD HEARD COSTANZO WAS PLANNING A TRIP TO NUMBER OF DEVELOPING COUNTRIES IN THE NEAR FUTURE, INCLUDING INDIA. WE WOULD APPRECIATE ANY INFORMATION WASHINGTON HAS ON THIS.
SCHNEIDER

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